

CITY OF WINDSOR HEIGHTS, IOWA

Independent Auditors' Reports  
Basic Financial Statements  
Supplementary Information  
and Findings

June 30, 2006

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CITY OF WINDSOR HEIGHTS, IOWA

OFFICIALS

Name	Title	Term Expires
Jerry Sullivan	Mayor	January, 2010
Flo Hunter	Council Member	January, 2010
Carole Tillotson	Council Member	January, 2010
Diana Willits	Council Member	January, 2010
Steve Peterson	Council Member	January, 2008
Donna Markley	Council Member	January, 2008
Marketa George Oliver	Administrator/Clerk	January, 2008
Colleen Pingrey	Treasurer	January, 2008
Janet G. Huston	Attorney	Indefinite

# POLLARD AND COMPANY P.C.

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CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council  
City of Windsor Heights

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Windsor Heights, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Windsor Heights's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Windsor Heights as of June 30, 2006, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our reports as dated below on our consideration of the City of Windsor Heights's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Windsor Heights's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the years ended June 30, 2004 and 2005 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

November 17, 2006

*Pollard and Company P.C.*

**CITY OF WINDSOR HEIGHTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2006**

This discussion and analysis is intended to be an easily readable analysis of the City of Windsor Heights's financial activities for the fiscal year ended June 30, 2006 based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the City's financial statements.

**2006 Financial Highlights**

- As of June 30, 2006 the City had fund balances on hand of \$1,583,479 in governmental fund types, up from \$1,176,948 in FY 2005 and \$448,254 in business-type funds, up from \$429,746 in FY 2005.
- Public Safety accounted for the largest portion (31.96%) of the City's total disbursements and 56.24% of the City's total General Fund disbursements, with Debt Service accounting for the next largest portion of 34.35%, which included a refinancing of a short-term economic development loan enabling the City to provide its first economic development grant.
- Property Taxes of \$2,149,157 accounted for the largest portion of the City's receipts slightly up from \$2,041,423 in FY 2005, with TIF receipts accounting for the next largest portion at \$1,447,527, also slightly up from \$1,294,382 in FY 2005.

**Report Layout – Using this report**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34. GASB 34 implemented a new model of financial reporting for state and local governments designed to enhance the usefulness of the City's annual report. In addition to the Management's Discussion and Analysis (MD&A), the report consists of government-wide statements, fund financial statements, notes to the financial statements, combining schedules of non-major funds and supplemental information. The first several statements are highly condensed and present a government-wide view of the City's finances. Within this view, all City operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services such as public safety, public works, health and social services, culture and recreation, community and economic development, general government administration, debt service, and capital projects. Business-type activities are water, sewer and stormwater.

**Basis of Accounting**

The City has elected to present its financial statements on a cash basis of accounting. The cash basis of accounting is a basis other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses and their related assets and liabilities. Under the City's cash basis of accounting, revenues and expenses are recorded when they result from cash transactions. As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods and services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the City's Financial Activities - Statement of Activities**

The focus of the Statement of Activities is to present the major program costs and match major resources with each. To the extent a program's cost is not recovered by grants, donations and direct charges, it is paid from general taxes and other resources. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

Following the required Statement of Activities is a section containing fund financial statements. In addition to these basic financial statement and related information, there are a number of financial schedules and reports by the independent certified public accountants as required by statute.

The MD&A is intended to explain the significant changes in financial position and differences in operations between the current and prior years.

### **Revenue Sources**

To aid in the understanding of the Statement of Activities, some additional explanation is given. First, receipts and disbursements are categorized as either governmental activities or business-type activities. Governmental activities are supported by a number of revenue sources derived from various funding sources. These are defined as follows:

**General Government Funds** - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The City's major governmental funds are the General Fund, the Debt Service Fund and Special Revenue Funds: Urban Renewal Tax Increment Fund, Road Use Tax, and Employee Benefits Fund.

**Special Revenue Funds** – Special Revenue funds are funds derived from a dedicated revenue source. For example, funds collected in an Urban Renewal/Tax Increment Fund can only be spent on specific expenses related to community development and economic development. The City's other special revenue funds include the Employee Benefit Fund; Road Use Fund (dedicated to street maintenance and construction), Police Pre-forfeiture Fund, Police Trust Fund and the Capital Projects Fund.

Business-Type activities are activities that are supported by charges for services. These are defined as follows:

**Business-Type (Proprietary) Funds** - When the City charges customers for the services it provides, these services are generally reported in business-type or proprietary funds. These are self-sufficient funds. The City's business-type funds are water utility and sewer and storm sewer utilities. This also includes all debt service and capital projects associated specifically with the above listed utilities.

## Expenditure Program Areas

The City's expenditures are categorized into a number of different program areas. They include:

**Public Safety** - This category includes police operations including reserves, civil service commission, emergency management, fire protection, ambulance service, building inspections, and animal control services.

**Public Works** - This category includes roads, bridges, and sidewalks, equipment replacement, street lighting, traffic safety, snow removal, and compost facility.

**Health and Social Services** - This category includes welfare assistance and referral building maintenance.

**Culture and Recreation** - This category includes library services, parks, recreation, aquatic center operations, cemetery, community center, and fitness center operations.

**Community and Economic Development** - This category includes community betterment, trees forever, economic development, housing, TIF, planning and zoning, and community activities.

**General Government** - This category includes mayor, city council, City Administrator/Clerk; Chief Financial Officer; Administrative Services Coordinator, Code Enforcement Officer, elections, legal services, city hall, utilities, and safety program.

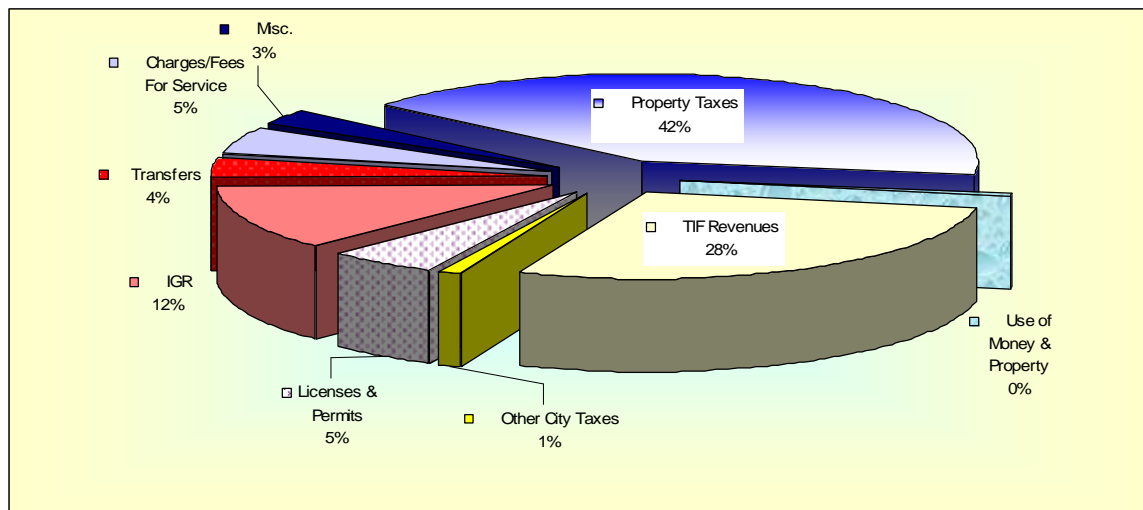
**Debt Service** - This category includes general, TIF and road use debt service.

**Capital Projects** - This category includes capital projects, such as sidewalk construction and street resurfacing. The City has undertaken a number of capital projects in recent years, including the reconstruction and widening of University Avenue, the redevelopment of the Town Center corners, the resurfacing of 73<sup>rd</sup> Street and the implementation of the sidewalk construction program.

## Major Governmental Fund Analysis

For the year ended June 30, 2006, the City's governmental activities were budgeted as follows:

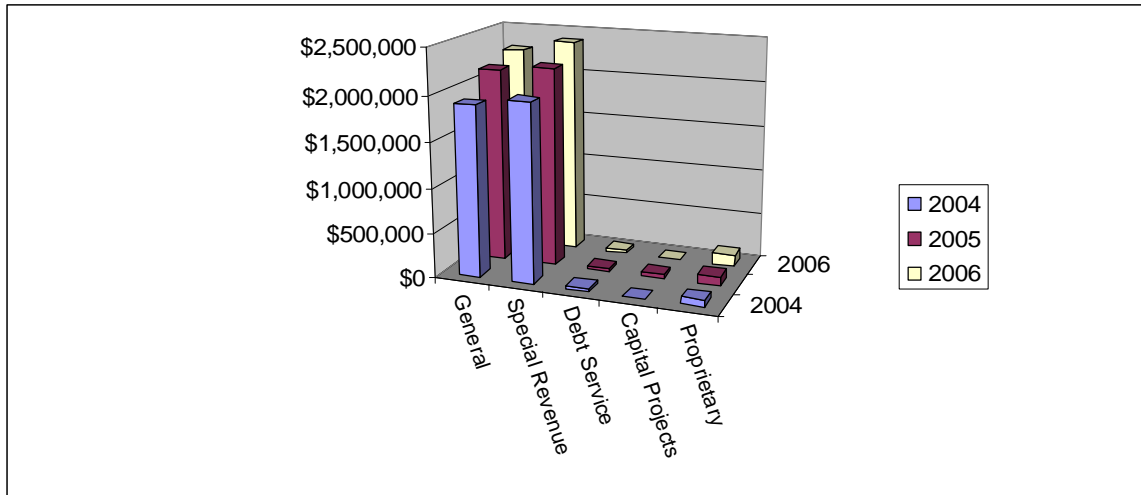
Sources of Funds for Governmental Activities





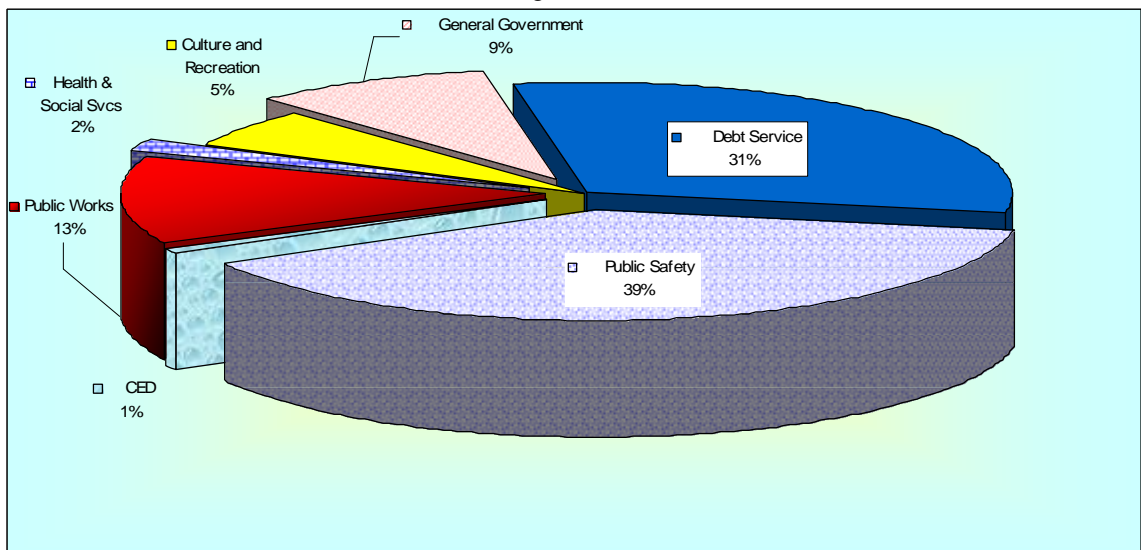
In actuality, total receipts increased by \$290,835 in 2006 over 2005, largely due to an increase in property tax revenues. The increase in property tax revenues comes from increased valuation of both residential properties and an increase in commercial property valuation due to the City's community development efforts. General fund receipts increased by \$115,190, \$50,361 of which was due to the aforementioned property taxes. TIF fund property tax receipts increased by \$153,145. There was also an increase of \$25,802 in property tax revenues collected for FICA, IPERS and other employee benefits.

Major differences by receipt source are outlined below. Governmental receipts this year as compared to last two fiscal years are shown in the graph below.



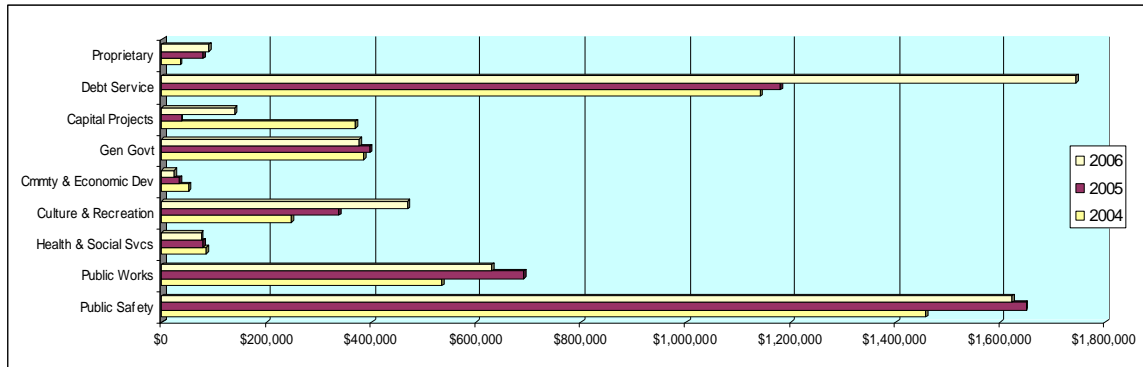
## Expenditure Picture

Uses of Funds in Governmental Activities – as budgeted for FY 2006

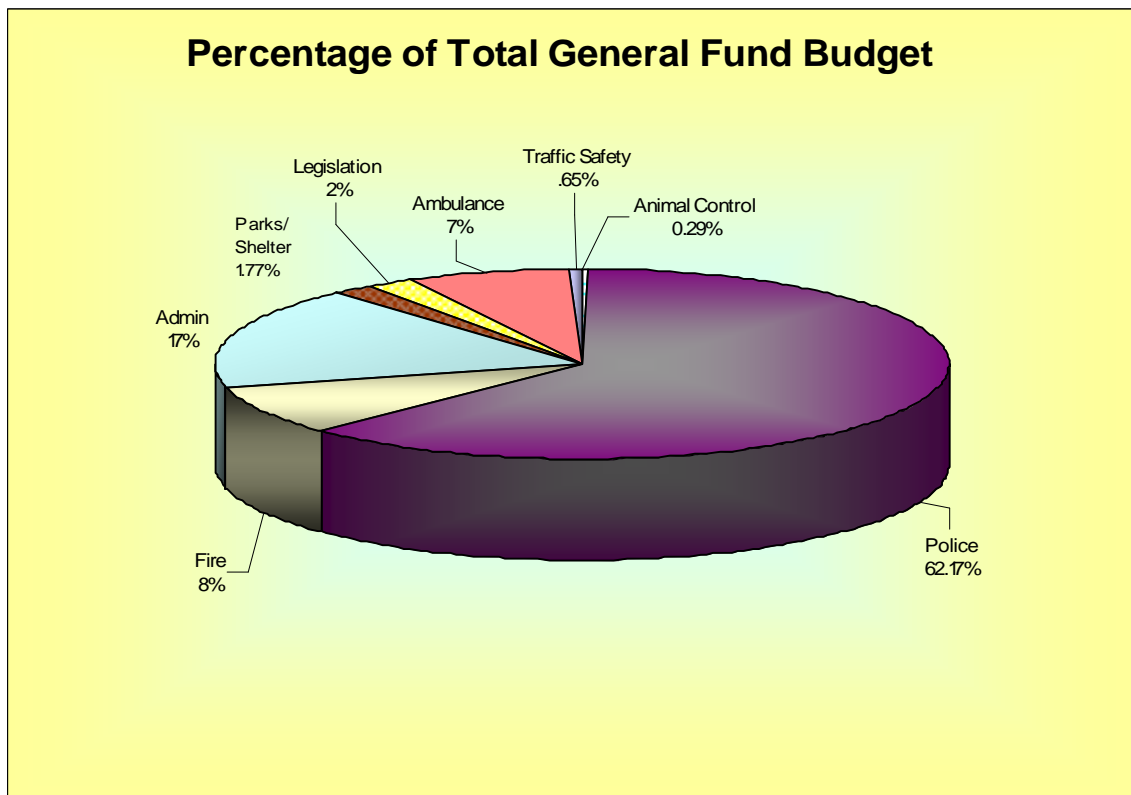


With a few exceptions, governmental program disbursements also remain fairly consistent. Public safety expenditures increased overall. The major changes are increased personnel costs for the police department as it remains fully staffed. Public works also increased due the purchase of capital equipment. Public Works decreased slightly in the overall picture, a fact which could be a continuing effect of expenditures being shift to the proprietary categories of sewer and stormwater. Debt service cost has increased slightly, repaying the bonds and economic development loans that were taken out in order to accomplish capital projects and economic development efforts.

Total audited governmental expenses this year as compared to the last two fiscal years are shown in the graph below.



The largest expenditure in the City's budget remains salaries. The largest part of the general fund salary allocations goes to the police department. General fund salaries are distributed as shown in the following graph.



## **Major Business-type Fund Analysis**

For the year ended June 30, 2006, the City's business-type activities revenues and expenses remained a minimal, yet growing part of the budget. The City has shifted sanitary sewer and stormwater to enterprise functions. Further, the City continues the practice of purchasing equipment directly out of the capital equipment fund, instead of budgeting it in department budgets and then transferring money from that fund to cover the expenditures.

## **Budgetary Highlights**

City Council approved one budget amendment during the year. The amendment reflected the refinancing of an economic development loan, which represented \$382,602 in unbudgeted debt service expenditure. There were, of course, corresponding revenues. There was also an increase in the City's contribution to the housing rehabilitation program. Another reason for the amendment was the commissioning of a traffic engineering study; rising fuel costs; and unexpected capital expenditures.

## **Capital Assets and Debt Administration**

As of June 30, 2006 the City had fund balances on hand of \$1,583,479 in governmental fund types, up from \$1,176,948 in FY 2005 and \$448,254 in business-type funds, up from \$429,746 in FY 2005.

## **Debt Outstanding**

As of year-end, the City had \$8,027,072 in debt outstanding compared to \$8,735,000 in 2005.

## **Economic Factors**

Property taxes represent approximately 34% of total program resources excluding other financing sources. TIF revenues comprised nearly 30% of revenues. Fees and charges for services and licenses and permits comprised approximately 2.6% of the City's revenues, down from 1.3% in FY 2005. Miscellaneous Revenue comprises approximately 4.4% of the FY 06 revenues. Miscellaneous revenues include fines and penalties, donations, sale of merchandise and special events.

The City monitors all of its resources and determines the need for program adjustment or fee increases accordingly.

The bulk of the City's budget is driven by personnel costs. The City employs 26, regular, full-time employees, or roughly 5.32 employees per thousand residents, which is slightly below the national average of 6.13 for cities providing comparable services. The City also employs one, regular "part-time" employee, who is the crossing guard at Clive Elementary. Of the 26 FTE's, 14 are in the Police Department, 7 in Public Works, 1 in Fire and 4 in Administration. Approximately thirty paid per call employees comprise the remainder of the employees in the Fire Department.

## A comparison

Following is a table comparing receipts and disbursements for governmental funds from 2005 and 2006. As you can see, the City continues to improve its bottom line, reserve levels.

City of Windsor Heights, Iowa  
Changes in Cash Basis Net Assets of Governmental Activities  
Governmental Funds

	Year ended - June 30	
Receipts	\$2,005	\$2,006
Property Taxes	\$2,076,718	\$2,149,157
Tax Increment Financing collections	\$1,294,382	\$1,447,527
Other city tax	\$7,221	\$307,581
Licenses and permits	\$118,060	\$40,333
Use of Money and Property	\$17,216	\$40,451
Intergovernmental	\$410,168	\$409,501
Charges for Service	\$216,612	\$120,478
Miscellaneous	\$289,254	\$205,438
<b>Total Receipts</b>	<b>\$4,429,631</b>	<b>\$4,720,466</b>
<b>Disbursements</b>		
Public Safety	\$1,648,134	\$1,622,875
Public Works	\$690,381	\$629,928
Health and Social Services	\$78,574	\$75,125
Culture and Recreation	\$337,121	\$468,146
Community and Economic Development	\$33,301	\$23,354
General Government	\$395,866	\$375,537
Debt Service	\$1,180,503	\$1,744,032
Capital Projects	\$36,480	\$138,719
<b>Total Disbursements</b>	<b>\$4,400,360</b>	<b>\$5,077,716</b>
Excess (deficiency) of receipts over (under) disbursement	<b>\$29,271</b>	<b>(\$357,250)</b>
Other financing sources	\$40,140	\$763,781
Net changes in cash balances	\$69,411	\$406,531
Balance - beginning of the year	\$1,107,537	\$1,176,948
Balance - end of year	<b>\$1,176,948</b>	<b>\$1,583,479</b>

Following is a table comparing receipts and disbursements for proprietary (business activities) funds from 2005 and 2006. These funds remain strong with good reserves.

City of Windsor Heights, Iowa  
Changes in Cash Basis Net Assets of Governmental Activities  
Proprietary Funds

	Year ended - June 30	
<b>Receipts</b>	<b>\$2,005</b>	<b>\$2,006</b>
Use of Money and Property	\$1,085	\$2,310
Charges for Service	\$97,592	\$129,195
<b>Total Receipts</b>	<b>\$98,677</b>	<b>\$131,505</b>
<b>Disbursements</b>		
Business type activities	\$66,554	\$89,186
Debt Service	\$11,960	\$13,811
<b>Total Disbursements</b>	<b>\$78,514</b>	<b>\$102,997</b>
Excess (deficiency) of receipts over (under) disbursement	<b>\$20,163</b>	<b>\$28,508</b>
Other financing sources	(\$40,140)	(\$10,000)
Net changes in cash balances	(\$19,977)	\$18,508
Balance - beginning of the year	\$449,723	\$429,746
Balance - end of year	<b>\$429,746</b>	<b>\$448,254</b>

#### Next year's budget and rates

For the year ending June 30, 2007 the general fund has been budgeted fairly consistently with this year, with the exception that the City no longer levies for a publicly-owned transit system. Recently, a regional transit system was formed and the levy for that will show up separately on a property owner's tax statement. The City reduced the FY 2007 levy a full \$.41 that the regional transit system projected charging, to offset the increase in the other portion of the property owner's taxes.

The City is also expecting to purchase some major capital equipment (a rescue/pumper truck in the fire department) and undertake a major capital project with the Missing Link Trail, which includes stormwater improvements. The City is working towards continuing to provide a superior level of services for the lowest cost possible.

**Financial Contact**

The City's financial statements are designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the City Administrator at 1133 66<sup>th</sup> Street, Windsor Heights, IA 50311 or telephone 515/279-3662.

Marketa George Oliver  
City Administrator

City of Windsor Heights, Iowa  
Statement of Activities and Net Assets – Cash Basis  
As of and for the year ended June 30, 2006

Functions/Programs	Program Receipts			
	Disbursements	Charges for Services	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities				
Public safety	\$ 1,622,875	\$ 52,481	\$ -	\$ -
Public works	629,928	57,265	409,501	-
Health and social services	75,125	-	-	-
Culture and recreation	468,146	5,400	-	-
Community and economic development	23,354	25,433	-	-
General government	375,537	28,931	-	-
Debt service	1,744,032	-	-	-
Capital projects	138,719	-	-	-
Total governmental activities	5,077,716	169,510	409,501	-
Business type activities				
Water	13,811	53,013	-	-
Sewer	48,809	41,022	-	-
Storm Sewer	40,377	35,160	-	-
Total business type activities	102,997	129,195	-	-
Total	\$ 5,180,713	\$ 298,705	\$ 409,501	\$ -

General Receipts

Property tax levied for  
    General purposes  
    Tax increment financing  
    Debt service  
Other city tax  
Unrestricted interest on investments  
Bond proceeds  
Miscellaneous  
Sale of assets

Transfers

    Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash basis net assets

    Restricted

        Streets

        Other purposes

    Unrestricted

        Total cash basis net assets

*There were no reconciling items between the Governmental and Fiduciary Fund Statements of Cash Receipts, Disbursements and Changes in Cash Balances and the above Statement. See notes to financial statements.*

Net (Disbursements) Receipts and Changes in Cash  
Basis Net Assets

Governmental Activities	Business Type Activities	Total
\$ (1,570,394)	\$ -	\$ (1,570,394)
(163,162)	-	(163,162)
(75,125)	-	(75,125)
(462,746)	-	(462,746)
2,079	-	2,079
(346,606)	-	(346,606)
(1,744,032)	-	(1,744,032)
(138,719)	-	(138,719)
(4,498,705)	-	(4,498,705)
-	39,202	39,202
-	(7,787)	(7,787)
-	(5,217)	(5,217)
-	26,198	26,198
\$ (4,498,705)	\$ 26,198	\$ (4,472,507)

2,112,542	-	2,112,542
1,447,527	-	1,447,527
36,615	-	36,615
307,581	-	307,581
40,541	2,310	42,851
550,000	-	550,000
196,649	-	196,649
203,781	-	203,781
10,000	(10,000)	-
4,905,236	(7,690)	4,897,546
406,531	18,508	425,039
1,176,948	429,746	1,606,694
\$ 1,583,479	\$ 448,254	\$ 2,031,733

\$ 148,725	\$ -	\$ 148,725
540,145	-	540,145
894,609	448,254	1,342,863
\$ 1,583,479	\$ 448,254	\$ 2,031,733



City of Windsor Heights, Iowa  
Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Governmental Funds  
As of and for the year ended June 30, 2006

	Special Revenue			
	General	Urban Renewal Tax Increment	Road Use Tax	Employee Benefits
Receipts				
Property Taxes	\$ 1,606,002	\$ -	\$ -	\$ 506,540
Tax Increment Financing Collections	-	1,447,527	-	-
Other City Tax	307,581	-	-	-
Licenses and Permits	40,333	-	-	-
Use of Money and Property	21,821	-	-	5,460
Intergovernmental	-	-	409,501	-
Charges for Services	120,478	-	-	-
Miscellaneous	167,806	-	866	14,746
Total Receipts	2,264,021	1,447,527	410,367	526,746
Disbursements				
Operating				
Public Safety	1,255,067	-	-	309,683
Public Works	94,719	-	406,654	90,022
Health and Social Services	75,125	-	-	-
Culture and Recreation	463,378	-	-	4,768
Community and Economic Development	23,354	-	-	-
General Government	319,981	-	-	55,556
Debt Service	-	-	-	-
Capital Projects	-	-	-	-
Total Disbursements	2,231,624	-	406,654	460,029
Excess (deficiency) of receipts over (under) disbursements	32,397	1,447,527	3,713	66,717
Other financing sources (uses)				
Bond proceeds	-	-	-	-
Sale of capital assets	9,000	-	-	194,781
Operating transfers in	130,000	-	-	-
Operating transfers out	(71,000)	(1,447,527)	(60,000)	-
Total other financing sources (uses)	68,000	(1,447,527)	(60,000)	194,781
Net change in cash balances	100,397	-	(56,287)	261,498
Cash balance (deficit) - beginning of year	802,706	-	205,012	274,352
Cash balance (deficit) - end of year	\$ 903,103	\$ -	\$ 148,725	\$ 535,850
Cash basis fund balances (deficit)				
Unreserved				
General fund	\$ 903,103	\$ -		\$ -
Special revenue funds	-	-	148,725	535,850
Capital projects fund	-	-	-	-
Total cash basis fund balances	\$ 903,103	\$ -	\$ 148,725	\$ 535,850

*The accompanying notes to financial statements are an integral part of this statement.*

Debt Service		Other Nonmajor Governmental Funds		Total
\$	36,615	\$	-	\$ 2,149,157
	-		-	1,447,527
	-		-	307,581
	-		-	40,333
	-	13,170		40,451
	-		-	409,501
	-		-	120,478
	-	22,020		205,438
	36,615		35,190	4,720,466
	-		58,125	1,622,875
	-		38,533	629,928
	-		-	75,125
	-		-	468,146
	-		-	23,354
	-		-	375,537
	1,744,032		-	1,744,032
	-		138,719	138,719
	1,744,032		235,377	5,077,716
	(1,707,417)		(200,187)	(357,250)
	450,000		100,000	550,000
	-		-	203,781
	1,257,417		291,110	1,678,527
	-		(90,000)	(1,668,527)
	1,707,417		301,110	763,781
	-		100,923	406,531
	-		(105,122)	1,176,948
\$	-	\$	(4,199)	\$ 1,583,479
\$	-	\$	-	\$ 903,103
	-		4,295	688,870
	-		(8,494)	(8,494)
\$	-	\$	(4,199)	\$ 1,583,479

City of Windsor Heights, Iowa  
Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds  
As of and for the year ended June 30, 2006

	Water	Sewer	Storm Sewer	Total
Operating receipts				
Use of money and property	\$ 2,310	\$ -	\$ -	\$ 2,310
Charges for service	53,013	41,022	35,160	129,195
Total operating receipts	55,323	41,022	35,160	131,505
Operating disbursements				
Business type activities	-	48,809	40,377	89,186
Excess (deficiency) of operating receipts over operating disbursements	55,323	(7,787)	(5,217)	42,319
Non-operating (disbursements)				
Debt service	(13,811)	-	-	(13,811)
Total non-operating (disbursements)	(13,811)	-	-	(13,811)
Excess (deficiency) of receipts over (under) disbursements	41,512	(7,787)	(5,217)	28,508
Other financing sources (uses)				
Operating transfers in	-	-	-	-
Operating transfers out	(10,000)	-	-	(10,000)
Total other financing sources (uses)	(10,000)	-	-	(10,000)
Net change in cash balances	31,512	(7,787)	(5,217)	18,508
Cash balances (deficit) - beginning of year	271,298	167,623	(9,175)	429,746
Cash balances (deficit) - end of year	\$ 302,810	\$ 159,836	\$ (14,392)	\$ 448,254
Cash basis fund balances (deficit) - unreserved	\$ 302,810	\$ 159,836	\$ (14,392)	\$ 448,254

*See notes to financial statements*

City of Windsor Heights, Iowa  
Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Fiduciary Fund - Police Pension  
As of and for the year ended June 30, 2006

Receipts	
Investment earnings - interest	<u>\$ 11,653</u>
Total receipts	<u>11,653</u>
Disbursements	
Benefits	<u>67,937</u>
Total disbursements	<u>67,937</u>
Excess of disbursements over receipts	<u>(56,284)</u>
Cash balance - beginning of year	501,768
Cash balance - end of year	<u><u>\$ 445,484</u></u>

City of Windsor Heights, Iowa  
Notes to Financial Statements  
June 30, 2006

1/ Summary of Significant Accounting Policies

The City of Windsor Heights is a political subdivision of the State of Iowa located in Polk County. It was first incorporated in 1941 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services.

A. Reporting Entity

For financial reporting purposes, the City of Windsor Heights has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

Jointly Governed Organizations

In 1998, the City joined with fifteen cities and counties to perpetuate the Des Moines Area Metropolitan Planning Organization to plan and coordinate the transportation activities for the metropolitan area. The Organization's Board consists of a representative from each governing body. The members make contributions toward the budget of the organization. During the year ended June 30, 2006, no contribution was made.

In 1969, the City, in conjunction with seventeen other cities, created the Metro Waste Authority. The Authority board consists of an elected representative of the governing body of each participating governmental jurisdiction. The purpose of this joint public body is to provide for the economic disposal of all solid waste produced or generated by the jurisdictions and private contractors. During the year ended June 30, 2006 the City paid the Metro Waste Authority \$49,540 for the Curb It Program.

In 1973, the City, in conjunction with four other cities, created the Des Moines Metropolitan Transit Authority whose board consists of an elected representative of the governing body of each participating governmental jurisdiction. During the year ended June 30, 2006 the City paid \$75,125 to the Des Moines Metropolitan Transit Authority for its portion of services.

In March 2002, the City, in conjunction with four other cities, created the West Homeowner Emergency Loan Program for housing rehabilitation within their respective communities. Each member has equal representation on the management committee. The cost to each member was \$23,354 during the year ended June 30, 2006.

In addition, the City participates in three jointly governed organizations that provide services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the Joint County/Municipal Disaster Services and Emergency Planning Administration for Polk County, the Emergency Communications Services (911) Board and Central Iowa Regional Drinking Water Commission.

## B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

### Special Revenue:

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Road Use Tax Fund is used to account for road construction and maintenance.

The Employee Benefits Fund is used to account for the tax levy and the disbursement for the benefits.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Water, Sewer and Storm Sewer Funds account for the City's share of the operation and maintenance of the water system, waste water treatment and sanitary sewer system, and storm water sewer system.

### C. Measurement Focus and Basis of Accounting

The City of Windsor Heights maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

### D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in Public Works, Culture and Recreation, and Debt Service functions.

## 2/ Cash and Pooled Investments

The City's deposits at June 30, 2006 were entirely covered by Federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$448,510 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest Rate Risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but maturities shall be consistent with the needs and use of the City.

Credit Risk – The City's investment in the Iowa Public Agency Investment Trust is unrated.

### Police Pension Fund

Investment of police pension funds is authorized under Chapter 410 of the Code of Iowa. The Treasurer may invest these funds at the direction of the Board of Trustees in interest bearing bonds, notes, certificates, or other evidences of indebtedness which are obligations of or guaranteed by the United States, or in interest bearing bonds of the State of Iowa, or any County, township, or municipal corporation of the State of Iowa.

## 3/ Tax Increment Financing

In prior years, the City established urban renewal districts and made agreements with the county and schools, in accordance with Chapter 403.19 of the Code of Iowa, to divide the increase in taxes as a result of the incremental property tax valuation in those districts. The taxes so collected are paid into the City's Special Revenue Fund and are expended for project costs or debt service associated with the projects affecting the districts.

4/ Capital Lease

The City entered into a capital lease for air packs and tanks for three payments of \$21,556 annually. The third payment was made August, 2005. As of June 30, 2006, there was no balance due.

5/ Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds and revenue notes are as follows:

Year Ending June 30,	General Obligation Bonds		Revenue Notes		Total	
	Bonds and Notes					
	Principal	Interest	Principal	Interest	Principal	Interest
2007	835,000	456,787	8,915	597	843,915	457,384
2008	875,000	408,247	8,157	294	883,157	408,541
2009	920,000	356,531			920,000	356,531
2010	965,000	303,837			965,000	303,837
2011	1,235,000	246,150			1,235,000	246,150
2012	925,000	167,977			925,000	167,977
2013	915,000	109,783			915,000	109,783
2014	845,000	66,680			845,000	66,680
2015	235,000	26,075			235,000	26,075
2016	260,000	13,700			260,000	13,700
Total	\$ 8,010,000	\$ 2,155,767	\$ 17,072	\$ 891	\$ 8,027,072	\$ 2,156,658

6/ Pension and Retirement Benefits

IPERS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa 50306-9117.

Most plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$100,745, \$95,068, and \$87,182, respectively, which were equal to the required contributions for each year.

Police Pension

Chapter 410 of the Code of Iowa established a retirement system for duly appointed members of the police department whose appointment occurred before March 2, 1934 or police officers who had been making payments of membership fees and assessments prior to July 1, 1971.



6/ Pension and Retirement Benefits (continued)

The plan is administered by the City through the Police Retirement Board of Trustees and provides retirement, disability and death benefits. The benefits are established by State statute and provide for full retirement benefits at age 50 with 22 years or more of service. Full benefits are equal to 60 percent of the monthly salary at retirement or disability and 30 percent of the monthly salary at death.

The City has three eligible police officers. All are retired and are receiving benefits.

Presented below is the total pension benefit obligation of the City for this pension plan. The amount is based on a standardized measurement established by GASB-5, which is the actuarial present value of credited projected benefits. This method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date by the plan participants and is adjusted for the effect of projected salary increases. A variety of significant actuarial assumptions are used to determine the standardized measure including:

1. The present value of future pension payments was computed using a discount rate of 3.5%. The discount rate is equal to the estimated long-term rate of return on current and future investments of the pension plan.
2. Future pension payments reflect an assumption of 5% salary increase as a result of inflation.

The latest actuarial valuation was made July 1, 2003. The standardized measure of the unfunded pension obligation is as follows:

Total Pension Obligation at July 1, 2003	\$559,815
Net Assets Available For Benefits at June 30, 2006	<u>445,484</u>
Estimated Underfunded Pension Benefit Obligations	<u>\$114,331</u>

The ten-year historical trend information related to this pension plan is not available.

7/ Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. City employees also accumulate sick leave hours for subsequent use or payment of up to 1,200 hours upon separation from employment at age 62 or older. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences for vacation hours, sick leave termination payments payable to employees at June 30, 2006, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 94,900
Sick Leave	<u>196,600</u>
Total	<u>\$291,500</u>

The liability has been computed based on rates of pay in effect as of June 30, 2006.

8/ Related Party Transactions

The City had no business transactions between the City and City officials during the year ended June 30, 2006.

## 9/ Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 531 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and if insufficient, by the subsequent year's member contributions.

The property and casualty contributions to the risk pool are recorded as disbursements from operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2006 were \$57,586.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions; however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with damage to and destruction of assets and injuries to employees. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## 10/ Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

	Transfer To					Total
	General	Storm Sewer	Equipment Reserve	Debt Service	Town Center	
Transfer from						
Urban Renewal Tax Increment	\$ -		\$ -	\$ 1,257,417	\$ 190,110	\$ 1,447,527
Road Use Tax	30,000		30,000			\$ 60,000
Water Fund	10,000					\$ 10,000
Capital Projects	90,000			-	-	90,000
General	-		71,000	-	-	71,000
	<u>\$ 130,000</u>	<u>\$ -</u>	<u>\$ 101,000</u>	<u>\$ 1,257,417</u>	<u>\$ 190,110</u>	<u>\$ 1,678,527</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

## 11/ Deficit Fund Balances

At June 30, 2006, the Town Center capital project had a deficit balance of \$331,971 as a result of project costs incurred prior to the availability of funds. After the receipt from the future sales of properties and payment of final project costs, the deficit balance will be eliminated with an Intrafund loan from the General Fund. The loan will be repaid from future tax increment taxes. The June 30, 2006 deficit in the Storm Sewer Fund of \$14,392 will be eliminated by future charges for services.

## 12/ Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts and disclosure of liabilities, contingent liabilities, and commitments at the date of the financial statements, and the classification of receipts and disbursements during the reporting period. Actual results could differ from the estimates that were used.

## 13/ Contingencies

In the ordinary course of business, the City is involved in lawsuits. Although the outcome of each litigation is uncertain, management and legal counsel believe any settlement will not have a material adverse affect on the City's financial condition.

#### 14/ Education Facility Revenue Bonds

The City issued the following educational facility revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely by the borrower to the lender. The bond principal and interest do not constitute liabilities of the City of Windsor Heights.

<u>Date of Issue</u>	<u>Amount</u>	<u>Project</u>
December, 2003	\$4,000,000	Sacred Heart School
March, 2005	\$6,500,000	Drake University

City of Windsor Heights, Iowa  
 Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances  
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds  
 Required Supplementary Information  
 Year ended June 30, 2006

	Governmental Funds Actual	Enterprise Funds Actual
Receipts		
Property Taxes	\$ 2,149,157	\$ -
Tax increment financing collections	1,447,527	-
Other city tax	307,581	-
Licenses and permits	40,333	-
Use of money and property	40,451	2,310
Intergovernmental	409,501	-
Charges for Service	120,478	129,195
Miscellaneous	409,219	-
Total Receipts	<u>4,924,247</u>	<u>131,505</u>
Disbursements		
Public safety	1,622,875	-
Public works	629,928	-
Health and social services	75,125	-
Culture and recreation	468,146	-
Community and economic development	23,354	-
General government	375,537	-
Debt service	1,744,032	13,811
Capital projects	138,719	-
Business type activities	-	89,186
Total Disbursements	<u>5,077,716</u>	<u>102,997</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(153,469)</u>	<u>28,508</u>
Other financing sources, net	<u>560,000</u>	<u>(10,000)</u>
Excess of receipts and other financing sources over disbursements and other financing uses	<u>406,531</u>	<u>18,508</u>
Balance - beginning of year	<u>1,176,948</u>	<u>429,746</u>
Balance - end of year	<u>\$ 1,583,479</u>	<u>\$ 448,254</u>

*See accompanying independent auditors' report.*

Budgeted Amounts			
Net	Original	Final	Final to Net Variance
\$ 2,149,157	\$ 2,115,149	\$ 2,115,149	\$ 34,008
1,447,527	1,440,000	1,440,000	7,527
307,581	44,291	38,078	269,503
40,333	271,300	45,412	(5,079)
42,761	18,375	28,296	14,465
409,501	633,880	622,880	(213,379)
249,673	244,300	270,784	(21,111)
409,219	144,050	394,350	14,869
\$ 5,055,752	4,911,345	4,954,949	100,803
1,622,875	1,743,459	1,772,119	149,244
629,928	568,540	611,980	(17,948)
75,125	83,600	83,600	8,475
468,146	254,594	287,085	(181,061)
23,354	37,000	130,854	107,500
375,537	401,721	401,721	26,184
1,757,843	1,366,411	1,749,013	(8,830)
138,719	220,000	220,000	81,281
89,186	155,268	155,268	66,082
5,180,713	4,830,593	5,411,640	230,927
(124,961)	80,752	(456,691)	331,730
550,000	-	547,737	(2,263)
425,039	80,752	91,046	333,993
1,606,694	2,042,111	2,095,142	(488,448)
\$ 2,031,733	\$ 2,122,863	\$ 2,186,188	\$ (154,455)

City of Windsor Heights, Iowa  
Notes to Required Supplementary Information – Budgetary Reporting  
June 30, 2006

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment increased budgeted disbursements by \$581,047. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the Public Works, Culture and Recreation, and Debt Service functions.

City of Windsor Heights, Iowa  
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances  
Nonmajor Governmental Funds  
As of and for the year ended June 30, 2006

	Special Revenue	
	Police Trust	Police Preforfeiture Fund
Receipts		
Use of money and property	\$ 11	\$ 171
Miscellaneous	22,020	-
Total Receipts	<u>22,031</u>	<u>171</u>
Disbursements		
Operating		
Public Safety	26,605	2,256
Public Works	-	-
Capital projects	-	-
Total Disbursements	<u>26,605</u>	<u>2,256</u>
Excess (deficiency) of receipts over disbursements	<u>(4,574)</u>	<u>(2,085)</u>
Other financing sources (uses)		
Bond proceeds	-	-
Operating transfers in	-	-
Operating transfers out	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>
Net change in cash balances	(4,574)	(2,085)
Cash balance (deficit) - beginning of year	4,096	6,858
Cash balance (deficit) - end of year	<u>\$ (478)</u>	<u>\$ 4,773</u>
Cash basis fund balances (deficit)		
Unreserved		
Special revenue funds	\$ (478)	\$ 4,773
Capital project fund	-	-
Total cash basis fund balances (deficit)	<u>\$ (478)</u>	<u>\$ 4,773</u>



Capital Projects				
Town Center	University Avenue Widening	Equipment Reserve	Total	
\$ -	\$ 10,164	\$ 2,824	\$	13,170
-	-	-		22,020
-	10,164	2,824		35,190
-	-	29,264		58,125
-	-	38,533		38,533
104,782	33,937	-		138,719
104,782	33,937	67,797		235,377
(104,782)	(23,773)	(64,973)		(200,187)
100,000	-	-		100,000
190,110	-	101,000		291,110
(90,000)	-	-		(90,000)
200,110	-	101,000		301,110
95,328	(23,773)	36,027		100,923
(427,299)	44,057	267,166		(105,122)
\$ (331,971)	\$ 20,284	\$ 303,193	\$	(4,199)
\$ -	\$ -	\$ -	\$	4,295
(331,971)	20,284	303,193		(8,494)
\$ (331,971)	\$ 20,284	\$ 303,193	\$	(4,199)

City of Windsor Heights, Iowa  
Schedule of Indebtedness  
For the year ended June 30, 2006

			Amount Originally Issued
Obligation	Date of Issue	Interest Rates	
General Obligation Bonds			
73rd Street Bridge			
73rd Street Improvements			
63rd Street Widening Projects	May 22, 1996	5.00 to 5.60%	\$ 700,000
1997-1A Street Project			
University Avenue Reconstruction			
71st and 72nd Street Turnarounds	March 12, 1997	4.90 to 5.20%	950,000
1997-1B Urban Renewal Project	March 12, 1997	6.75%	1,775,000
1999-A University Avenue			
Street Widening and Improvements	August 30, 1999	4.60 to 5.30%	1,580,000
1999-B Urban Renewal Project	August 30, 1999	6.50 to 7.10%	2,295,000
1999-C Refunding Bonds	August 30, 1999	4.50 to 5.10%	1,020,000
Notes - 2000 series	November 1, 2000	4.50 to 5.00%	365,000
Capital Loan Notes - 2002 series	February 18, 2002	4.00 to 4.65%	1,810,000
Capital Loan Notes - 2002 series	June 17, 2002	5.75%	450,000
Capital Loan Notes - 2005 series	August 1, 2005	6.15%	550,000
Total			<u>\$ 11,495,000</u>
Revenue Notes			
Water Main and Road Project	October 15, 1992	5.00 to 5.62%	<u>\$ 265,000</u>

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$ 415,000	\$ -	\$ 50,000	\$ 365,000	\$ 22,525
700,000	-	50,000	650,000	35,930
1,195,000	-	125,000	1,070,000	80,662
1,405,000	-	95,000	1,310,000	72,313
1,920,000	-	175,000	1,745,000	134,880
750,000	-	115,000	635,000	37,383
160,000	-	50,000	110,000	7,923
1,710,000	-	25,000	1,685,000	76,978
450,000	-	450,000	-	5,678
-	550,000	110,000	440,000	24,762
<u>\$ 8,705,000</u>	<u>\$ 550,000</u>	<u>\$ 1,245,000</u>	<u>\$ 8,010,000</u>	<u>\$ 499,034</u>
<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ 12,928</u>	<u>\$ 17,072</u>	<u>\$ 883</u>

City of Windsor Heights, Iowa  
Bond and Note Maturities  
June 30, 2006

73rd Street Bridge 73rd Street Improvements 63rd Street Widening Projects Issued May 22, 1996	University Avenue Reconstruction 71 and 72 Street Turnarounds 1997-1A Issued March 12, 1997	University Avenue Project 1997-1B Issued March 12, 1997
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Year Ending June 30,	Interest Rates (%)	Amount	Interest Rates (%)	Amount	Interest Rates (%)	Amount
2007	5.25	50,000	4.90	50,000	6.75	130,000
2008	5.40	50,000	5.00	55,000	6.75	140,000
2009	5.50	55,000	5.10	60,000	6.75	165,000
2010	5.50	65,000	5.20	55,000	6.75	310,000
2011	5.50	70,000	5.20	60,000	6.75	325,000
2012	5.60	75,000	5.20	65,000		-
2013		-	5.20	70,000		-
2014		-	5.20	75,000		-
2015		-	5.20	80,000		-
2016		-		80,000		-
Totals		<u>\$ 365,000</u>		<u>\$ 650,000</u>		<u>\$ 1,070,000</u>

Series 1999A University Avenue Street Widening and Improvements Issued August 30, 2000	Series 1999B Urban Renewal Project Issued August 30, 2000	Series 1999C Refunding Bonds Issued August 30, 2000
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Year Ending June 30,	Interest Rates (%)	Amount	Interest Rates (%)	Amount	Interest Rates (%)	Amount
2007	4.90	100,000	6.90	200,000	4.90	100,000
2008	5.00	105,000	7.00	225,000	4.95	95,000
2009	5.05	110,000	7.00	175,000	5.00	95,000
2010	5.10	115,000	7.00	115,000	5.05	170,000
2011	5.00	120,000	7.10	475,000	5.10	175,000
2012	5.20	130,000	7.10	555,000		-
2013	5.25	145,000		-		-
2014	5.25	150,000		-		-
2015	5.30	155,000		-		-
2016	5.30	180,000		-		-
Totals		<u>\$ 1,310,000</u>		<u>\$ 1,745,000</u>		<u>\$ 635,000</u>

*See accompanying independent auditors' report.*

Series 2000 Capital Loan Notes		Series 2002 Capital Loan Notes		Series 2005 Capital Loan Note		
Issued November 1, 2000		Issued February 18, 2002		Issued August 1, 2005		
Interest Rates (%)	Amount	Interest Rates (%)	Amount	Interest Rates (%)	Amount	Total General Obligations
4.95	55,000	4.00	40,000	6.15	110,000	835,000
5.00	55,000	4.00	40,000	6.15	110,000	875,000
	-	4.10	150,000	6.15	110,000	920,000
	-	4.25	25,000	6.15	110,000	965,000
	-	4.35	10,000		-	1,235,000
	-	4.45	100,000		-	925,000
	-	4.55	700,000		-	915,000
	-	4.65	620,000		-	845,000
	-		-		-	235,000
	-		-		-	260,000
	<u>\$ 110,000</u>		<u>\$ 1,685,000</u>		<u>\$ 440,000</u>	<u>\$ 8,010,000</u>

Revenue Notes Water		
Issued October 15, 1992		
Year Ending June 30,	Interest Rates (%)	Amount
2007	5.62	10,000
2008	5.62	10,000
2009		-
2010		-
2011		-
2012		-
2013		-
2014		-
2015		-
2016		-
Totals		<u>\$ 20,000</u>

City of Windsor Heights, Iowa  
Schedule of Receipts by Source and Disbursement by Function  
All Government Funds  
As of and for the year ended June 30, 2006

	2006	2005	2004
Receipts			
Property taxes	\$ 2,149,157	\$ 2,076,718	\$ 1,886,664
Tax increment financing collections	1,447,527	1,294,382	1,097,352
Other city tax	307,581	7,221	13,781
Licenses and permits	40,333	118,060	117,595
Use of money and property	40,451	17,216	7,887
Intergovernmental	409,501	410,168	428,617
Charges for service	120,478	216,612	195,406
Miscellaneous	409,219	289,254	154,295
Total	<u>\$ 4,924,247</u>	<u>\$ 4,429,631</u>	<u>\$ 3,901,597</u>
Disbursements			
Operating			
Public safety	\$ 1,622,875	\$ 1,648,134	\$ 1,457,408
Public works	629,928	690,381	535,010
Health and human services	75,125	78,574	85,529
Culture and recreation	468,146	337,121	247,442
Community and economic development	23,354	33,301	51,813
General government	375,537	395,866	385,077
Debt service	1,744,032	1,180,503	1,141,875
Capital projects	138,719	36,480	369,251
Total	<u>\$ 5,077,716</u>	<u>\$ 4,400,360</u>	<u>\$ 4,273,405</u>

*See accompanying independent auditors' report.*

# POLLARD AND COMPANY P.C.

## CERTIFIED PUBLIC ACCOUNTANTS

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### INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Honorable Mayor and Members of the City Council:

We have audited the financial statements of the City of Windsor Heights, Iowa as of and for the year ended June 30, 2006, and have issued our report thereon as dated below. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the City of Windsor Heights's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Windsor Heights's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Windsor Heights' ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe all of the reportable conditions described in the Schedule of Findings are material weaknesses.

This report, a matter of public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Windsor Heights and other parties to whom the City of Windsor Heights may report. This report is not intended to be and should not be used by any one other than these specified parties.

We would like to acknowledge the assistance extended to us by personnel of the City of Windsor Heights during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Pollard and Company P.C.*

November 17, 2006



City of Windsor Heights, Iowa  
Schedule of Findings  
Year Ended June 30, 2006

Part I: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE: No matters were noted.

REPORTABLE CONDITIONS:

06-I-A Segregation of Duties

One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that generally one person has control over each of the following areas:

- (1) Cash receipts, journalizing, and posting.
- (2) Disbursements, check writing, journalizing, and posting.

Recommendation

We realize that with a limited number of office employees, segregation of duties is difficult. The City should continue to review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response

We will continue to review the internal control procedures and segregate duties to the extent possible with existing personnel.

Conclusion

Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

Part II: Other Findings Related to Statutory Reporting

06-II-A Certified Budget

As reported in Notes to Financial Statement 1D, disbursements during the year ended June 30, 2006 exceeded the amounts budgeted. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation

The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response

The budget will be amended in the future, if applicable.

Conclusion

Response accepted.

06-II-B Questionable Disbursements

We noted no disbursements for parties, banquets or other entertainment expenses that do not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

Part II (continued):

- 06-II-C      Travel Expense  
We noted no disbursements of City money for travel expenses of spouses of City officials or employees during the year.
- 06-II-D      Business Transactions  
There were no business transactions between the City and City officials or employees during the year.
- 06-II-E      Bond Coverage  
Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 06-II-F      Financial Condition  
At June 30, 2006, the Town Center Project in the Capital Project Fund and the Storm Sewer Fund had deficit balances of \$331,971 and \$14,392, respectively.
- Recommendation  
The City should investigate alternatives to eliminate this deficit in order to return the account to a sound financial position.
- Response  
See Note to Financial Statements 11.
- Conclusion  
Response accepted.
- 06-II-G      Time Cards  
The supervisors did not approve all time records submitted by employees.
- Recommendation  
All time records should be approved by the employee's supervisor.
- Response  
A supervisor will approve the time records of affected employees.
- Conclusion  
Response accepted.
- 06-II-H      Public Hearing for the Issuance of Long-Term Debt  
The City did not hold a public hearing on the issuance of Capital Loan Notes – 2005 Series as required by Chapter 403.9 of the Code of Iowa.
- Recommendation  
Prior to the issuance of any long-term debt, the City should hold a public hearing as required by Chapter 403.9 of the Code of Iowa.
- Response  
The City will hold a public hearing as required.
- Conclusion  
Response accepted.